

April 6, 2001

Council of the District of Columbia

PUBLIC HEARING ON THE MAYOR'S FISCAL YEAR 2002 BUDGET SUPPORT ACT OF 2001

Testimony of Barbara Jumper, Deputy Chief Financial Officer for Finance and Resource Management, before the Committee on Finance and Revenue

Good morning, Chairperson Evans and members of the Council. My name is Barbara Jumper, and I am deputy chief financial officer and director of the Office of Finance and Resource Management (OFRM).

It is a pleasure to be here today to provide you with information regarding OFRM's FY 2002 budget proposal. In my testimony I will describe our current operation and outline some of our future strategic objectives.

By way of background, OFRM has grown over the past year and now provides: 1) financial services for 20 district agencies; 2) management of the District government's central payments model for fixed costs; and 3) financial services for the fixed asset capital improvement program. Currently, we manage over \$700 million of the District's annual operating budget. This amount reflects an increase of \$50 million in additional responsibility from FY 2001.

During FY 2001, the scope of OFRM's current financial responsibilities was significantly expanded. This increase in responsibilities has stretched OFRM's resources beyond our limit. Consequently, our budget request for FY 2002 includes an increase of \$220,000 and 2 FTEs over the previous fiscal year. Our budget request is comprised of \$2,198,000 from local appropriations, and \$175,000 of intra-District funding from our client agencies.

OFRM is the embodiment of the shared services model for providing high quality financial services to District agencies. The shared services approach captures economies of scale that reduce costs for providing financial services. OFRM's cost for providing all of the previously mentioned services amounts to approximately 3.5 tenths of one cent for every dollar processed.

One of our primary strategic objectives in FY 2001 and FY 2002 is developing, maintaining, and strengthening our relations with client agencies. In pursuit of these objectives, we are moving forward with developing a detailed understanding of each agency and its strategy for implementing operational policies. We believe that this approach will enable us to align fiscal resources and provide needed financial guidance in agency planning.

In light of our expanded responsibilities, we recognize the need to enhance the accounting abilities of OFRM. OFRM's operating strategy is to refine our monthly closing procedures. Implementation of this strategy will minimize the time needed during the year-end closing. Since the year-end close takes place during the budget formation cycle, OFRM believes that with proper month-end closings our staff can dedicate more time in assisting our client agencies with the development of high quality budget requests for upcoming fiscal years.

Building internal capacity of financial systems through training is another strategic initiative. We at OFRM believe that staff development is critical, not only to maintaining an effective financial operation, but also for the professional growth of our staff members. Since the District is actively changing the way it does business, OFRM believes there is no greater place for personnel to gain professional experience. OFRM intends to undertake steps toward staff development that will align the new District government with professional growth. This initiative provides both OFRM and the District with internal strength and capacity. The District will gain by the creation of a stronger, more knowledgeable, and professional work force.

OFRM's operation extends beyond our 20 client agencies. Our operation touches 64 city agencies through the central fixed cost payment model. In recent years we have made great strides in providing these agencies with information that assists them in realizing the true cost of their operations. However, we have found that certain problem areas remain. For instance, one of the more acute problem areas exists in telecommunications. Today, in response, we are actively working with Verizon to bring a Web-based billing system into operation. This new system will enable all agencies to view online their Verizon telecommunication invoices with supporting detail of their bills. This information will allow agencies to more effectively manage their telecommunications costs. Similar online information will soon be available for other utility costs.

OFRM recognizes the need to develop more detailed and accurate methods of forecasting energy costs for the District. Over the past several months we have all experienced the shock of natural gas cost increases. Under the circumstances, OFRM and OPM have begun using detailed future utility cost information supplied by the US Department of Energy. It is our desire to incorporate this information with more sophisticated methods in cost projection. To ensure that OFRM's latest natural gas projection would provide greater accuracy, we compared our methodology with surrounding municipalities. We found that the use of US Department of Energy information was much more advanced and accurate than that of surrounding governments. In the future, to facilitate more accurate fiscal planning for other utilities, we will use advanced mathematical methods as applicable.

In closing I would like to say that FY 2001 and FY 2002 present many challenges to OFRM. However, we still plan to lead in developing the way that financial services are provided to District agencies. It has been my pleasure in sharing with you my vision of OFRM's future, and I will be happy to respond to any questions you may have.